



City of New Britain

New Britain, Connecticut 06051

*"New Britain:
A City for
All People"*

TO: State of Connecticut, Finance Revenue and Bonding Committee

FROM: Michael Konik, City of New Britain Assessor *Michael Konik*

DATE: March 7, 2011

RE: House Bill 6388 - Proposed Elimination of MME PILOT

My name is Michael Konik. I am the City assessor for the city of New Britain. I am before you today to speak in opposition of house bill 6388. The proposed elimination of the manufacturing machinery and equipment PILOT will place yet another unjust unfunded mandate on the backs of local property taxpayers. In addition, the elimination of this PILOT will increase the local property tax burden for some of the poorest municipalities in our state including New Britain.

The bulk of the manufacturers are located in Connecticut's urban centers. This PILOT was created to entice manufacturers into staying and growing their business in Connecticut by exempting manufacturing machinery and equipment 5 years of age and newer from property taxation. Municipalities, in turn, were to be reimbursed by the State for the tax loss so as not to shift the burden of the tax loss to its other taxpayers.

After several years however, the State cut the reimbursement rate to 80% or less which placed the burden on the municipalities to make up the loss of this revenue on the backs of taxpayers. In 2006, new legislation passed to phase out taxation of manufacturing machinery and equipment older than 5 years in age. The phase out occurred over 5 grand list years exempting 20% of this equipment in 2006, 40% in 2007, 60% in 2008, 80% in 2009 and 100% for 2010. Again, with this legislation, the state was to provide reimbursement of the tax loss to municipalities. The State knew that the amount of exemption claimed by municipalities would increase each year as this equipment was being phased out from taxation.

Well, in FY 2011, New Britain received a PILOT payment totaling \$1,182,000. This was New Britain's share of \$47,895,199 appropriated by the State. The amount of the state's total appropriation was approximately \$10,000,000 less than the previous year even though the amount of exemption claimed by municipalities grew because of the phase out in the taxation of this equipment. For New Britain, the PILOT payment amounted to 63.5% of the 80% reimbursement amount requested. In other words, the City of New Britain received 51% of the total tax loss claimed leaving the taxpayers of New Britain to shoulder the rest of the tax loss.

With an effective tax rate of nearly 2.5% as of our last revaluation, taxpayers of the City of New Britain, (some of the state's poorest taxpayers) have been forced to pay higher taxes to make up for the lack of the full reimbursement.

For FY 12, the exemption amount to be claimed by the City will be greater than last because the equipment is now 100% exempt because of the phase out, up from 80% exempt last year. No longer will the manufacturer pay tax on this equipment. New Britain's additional tax loss due to the increase of this exemption amounts to approximately \$326,000. The total tax loss due to the exemption of this property, assuming 100% reimbursement is \$2,563,113 using last year's mill rate of 36.63. Even if the state was to maintain the same amount of funding for this PILOT this year as last, municipalities with this type of property would still be facing a tax loss.

Now with the proposed total elimination of this PILOT, the taxpayers of New Britain and other manufacturing communities will be left to absorb the entire tax loss due to the exemption of former taxable property, something cities like New Britain simply cannot afford.